

# **FISCAL NOTE**

## **SB 1330 - HB 1529**

April 10, 2001

**SUMMARY OF BILL:** Enacts the "Perfection, Priority and Enforcement of Public Pledges and Liens Act" including the following provisions:

- specifies the intent is to provide a uniform and comprehensive framework governing pledges and liens created by state and local governmental entities and to exempt the perfection, priority and enforcement of public pledges and liens from the Uniform Commercial Code.
- specifies that the grant of a pledge or creation of a lien on collateral by an issuer shall be valid and binding and shall inure to the benefit of the holder of public obligations until payment in full of the principal, premium and interest.
- provides that bonds, notes and other public obligations evidenced by multiple certificates of the same issue are equally and ratably secured, without priority by number or date, by any pledge or lien created or granted on collateral to secure the payment.
- specifies that any creation or grant of a pledge or lien on collateral by an issuer shall be junior in priority to competing pledges, liens and other security interests granted or created prior to the date such pledge or lien is created. Provides that official action may grant such later public obligations a parity claim.
- specifies that enforcement of a pledge or lien created by an issuer shall be governed by Tennessee law.
- specifies that provisions of bill shall apply to transactions entered into or created before the act takes effect.

### **ESTIMATED FISCAL IMPACT:**

**State Expenditures - Cost Avoidance - Not Significant**

**Local Govt. Expenditures - Cost Avoidance - Not Significant**

Under rules approved by the federal Uniform Commercial Code Commission, state and municipal revenue bond issuers would be required to file UCC-1 financial statements effective July 1, 2001. By exempting certain public tax-exempt borrowers from the Uniform Commercial Code under the provisions of this bill, they would not have to file UCC-1 financial statements and would avoid the associated fees which are estimated to be not significant.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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